

EXCISE

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Department of State

TELEGRAM

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E.O.: 11652: GDS

TAGS: ENRG, OECD, LY

SUBJ: MEETING OF HIGH-LEVEL GROUP OF OECD OIL COMMITTEE,
SEPTEMBER 11, 1973.

1. SUMMARY: MEETING WAS DEVOTED LARGELY TO DIS-
CUSSION OF CURRENT INTERNATIONAL OIL SITUATION,
WITH PARTICULAR EMPHASIS ON LIBYA. THERE WAS IN-
GENERAL SYMPATHETIC UNDERSTANDING OF PLIGHT OF MAJOR
COMPANIES NATIONALIZED BY LIBYA, BUT OWING IN PART
TO UNCERTAINTIES OVER NEXT LIBYAN AND COMPANY MOVES,

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AS WELL AS APARENTLY MINIMAL RISK OF SUBSTANTIAL SUPPLY LOSSES, SEVERAL KEY MEMBERS OF HLG WERE VERY CAUTIOUS AND TENTATIVE IN DESCRIBING THE ATTITUDES OF THEIR GOVERNMENTS. WITH RESPECT TO MORE GENERAL PROBLEMS, STRONG SUPPORT EMERGED FOR AGREEMENT BY THE END OF 1973 ON AN EMERGENCY OIL SHARING SCHEME, WHICH WAS CONSIDERED ESSENTIAL TO PERMIT MORE EFFECTIVE COOPERATION AMONG OIL CONSUMING GOVERNMENTS. THERE WAS BRIEF PRELIMINARY DISCUSSION OF OIL PRICE TRENDS AND THEIR IMPLICATIONS, BUT DISCUSSION IN DEPTH OF THIS AND OTHER TOPICS POSTPONED UNTIL NEXT MEETING, SCHEDULED FOR NOVEMBER 19 AT 10:30 A.M. END SUMMARY.

2. AT REQUEST OF CHAIR, [US DEL (J. KATZ)] DESCRIBED RECENT DEVELOPMENTS ON INTERNATIONAL PETROLEUM SCENE. STATEMENT GAVE PARTICULAR ATTENTION TO LIBYAN NATIONALIZATION AND ALSO COVERED IN DETAIL PARTICIPATION DEVELOPMENTS, SALE OF PARTICIPATION CRUDE OIL, SAUDI ARABIAN PRODUCTION, AND RECENT ACTIONS AND POLICY STATEMENTS BY THE US GOVERNMENT IN THE ENERGY FIELD. [OTHER DELS WERE GRATEFUL FOR THOROUGH TREATMENT AND] HAD FEW FACTS TO ADD.

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3. WITH RESPECT TO LIBYA, [US DEL] EXPRESSED VIEW THAT AT LEAST IN TERMS OF QUANTITY IMMEDIATE SITUATION DOES NOT POSE A SERIOUS THREAT IN CRUDE SUPPLIES; EVEN IF MAJORS CEASE PRODUCTION, THERE IS POSSIBILITY FOR OTHER COMPANIES IN LIBYA TO INCREASE LIFTINGS. IN THE LONGER TERM, HOWEVER, THE SITUATION COULD HAVE SERIOUS CONSEQUENCES BECAUSE OF POSSIBLE IMPACT ON DEVELOPMENTS IN OTHER OIL PRODUCING AREAS. IN VIEW OF BOTH THESE ELEMENTS, LIBYA MAY BE PLACE TO TAKE A FIRM STAND. IN PARTICULAR, [US] SUGGESTED THAT IN SPIE OF TECHNICAL DIFFICULTIES INVOLVED, CONSUMAR GOVERNMENTS SHOULD MAKE THEIR BEST EFFORTS EITHER DIRECTLY OR THROUGH PERSUASION TO PREVENT IMPORTS OF "HOT OIL."

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4. THERE WAS GENERAL AGREEMENT THAT THREAT TO CRUDE

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OIL SUPPLY POSED BY LIBYAN SITUATION IS OF MANAGE-
ABLE PROPORTIONS. THERE ALSO APPEARED TO BE GENERAL
SYMPATHY FOR AND UNDERSTANDING OF PROBLEMS OF NATIONAL-
IZED MAJORS. SEVERAL KEY DELEGATIONS WERE RELUCTANT
TO BE DRAWN OUT ON THEIR GOVERNMENT'S ATTITUDES,
HOWEVER, OWING AT LEAST IN PART TO UNCERTAINTIES OVER
NEXT MOVES OF COMPANIES AND OF LIBYAN GOVERNMENT. A
NUMBER OF DELEGATIONS

STATED THAT PROBLEM OF "HOT OIL" FROM LIBYA
STILL HYPOTHETICAL AND THAT DIRECT INFLUENCE OF GOVERN-
MENTS ON PURCHASES IS LIMITED. BASICALLY, COURTS
WOULD HAVE TO DEAL WITH PROBLEM, AND THEY TOO WOULD
FACE DIFFICULT PROBLEMS OF IDENTIFICATION, ETC.,
WITH FINAL OUTCOME UNCERTAIN. THOUGHT GOVERNMENTS SHOULD DO BEST TO PREVENT IMPORTS
OF "HOT OIL". SAID "WE ARE NOT BUYERS OF
HOT OIL," BUT EMPHASIZED THAT ONLY GOVERNMENTS WITH
STRONG IMPORT CONTROLS COULD HAVE IMPORTANT IMPACT.

5. [JAPANESE DELEGATION] EXPRESSED FEAR THAT LIBYAN

REST OF MESSAGE

UNAVAILABLE

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